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SUBJECT: Rio Radar - October 16-23, 2009

REF: a)Rio 346, b) Rio 329

¶1. Rio Radar is a regular compilation of key economic, political, commercial, and other developments in the states of Rio de Janeiro, Bahia, Minas Gerais, Espirito Santo, and Sergipe. Subjects for 16-23 October:

AECIO NEVES ON PRESIDENTIAL POLITICS

¶2. (SBU) In a 20 October call on Minas Gerais Governor and possible PSDB presidential candidate Aecio Neves, Principal Officer asked for Neves' views on the state-of-play of presidential politics as Brazil heads into the 2010 election year. Neves said that he and Sao Paulo Governor Jose Serra - the leading PSDB contender for the party's presidential candidate - are being careful to protect themselves, and to some extent each other, from overexposure and damaging in-fighting within the PSDB of the kind seen between Serra and Geraldo Alckmin in the last presidential contest. He said both would maintain a collegial posture through the end of the calendar year, but Neves said he believed the PSDB would definitely name its candidate in a party meeting in January 2010. Neves left no doubt that he would not wait beyond that point. Neves also expressed optimism that the PSDB has a meaningful chance of winning. Neves said the presumed candidate of the PT-led governing coalition, Presidential Chief of Staff Dilma Rousseff, is hovering steadily at 30 percent in polling, and Neves indicated Rousseff's ability to rise above that number would depend more on her capacity to sell her candidacy to the public than on Lula's popularity or the PT machine. (Comment: Most current public polls actually show Rousseff with lower numbers, and it is not clear whether Neves was referring to internal PSDB research. In any case, Neves seemed to imply this may be a decisive weakness, given Rousseff's inexperience in running for office. End comment.)

ONGOING FAVELA VIOLENCE

¶3. (SBU) Rio police continued through the week of 19-23 October in a broad crack-down on the Comando Vermelho (Red Command) narcotrafficking gang, in the wake of intense gang violence in the city's favelas on 17-18 October, which produced the shocking image of a police helicopter being shot down by criminal gunfire (ref a). The police effort is centered on 10 favelas across Rio where the Comando Vermelho operates, with a focus on arresting CV leaders responsible for the attack on the helicopter and the invasion of a rival gang's turf in a favela in the city's northern zone. More than thirty persons have died in the current wave of violence. Consulate General officers are seeking a briefing with senior police and public security officials on the current violence and on the Rio government's long-term strategic favela "pacification" plan (ref b) for re-asserting state authority in the city's favelas, many of which are effectively controlled by narcotrafficking groups. Septel will report on Principal Officer's visit to Dona Marta, the first favela considered to be successfully "pacified" under the state government's plan.

POSSIBLE DISCOVERY OF 1.5 BILLION BARRELS OF OIL AT CAMPOS

¶4. (SBU) On October 15 2009, Brazilian energy company OGX, owned by Brazilian multi-millionaire Eike Batista, announced the discovery of

a major reserve of oil, located at the southern end of the Campos Basin in block BM-C-43. According to OGX, the block could hold an estimated 1.5 billion barrels of oil. Petrobras had explored this block 15 years ago, but abandoned further exploration due to studies that indicated low quantity oil reserves. OBX is currently analyzing the quality of the oil.

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